

**REPORT OF THE AUDIT OF THE  
BRACKEN COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2010**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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**CRIT LUALLLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administrative Cabinet  
Honorable Gary L. Riggs, Bracken County Judge/Executive  
Members of the Bracken County Fiscal Court

The enclosed report prepared by Tichenor & Associates, LLP, Certified Public Accountants, presents the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bracken County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements.

We engaged Tichenor & Associates, LLP to perform the audit of these financial statements. We worked closely with the firm during our report review process; Tichenor & Associates, LLP evaluated Bracken County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen  
Auditor of Public Accounts

Enclosure





## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE BRACKEN COUNTY FISCAL COURT**

**June 30, 2010**

The Auditor of Public Accounts has completed the audit of the Bracken County Fiscal Court for fiscal year ended June 30, 2010. We have issued unqualified opinions on the governmental activities, each major fund, and aggregate remaining fund information of Bracken County, Kentucky.

#### **Financial Condition:**

The fiscal court had net assets of \$6,805,123 as of June 30, 2010. The fiscal court had unrestricted net assets of \$5,335,543 in its governmental activities as of June 30, 2010, with total net assets of \$6,805,123. The fiscal court had total debt principal as of June 30, 2010 of \$3,380,000 with \$48,000 due within the next year.

#### **Deposits:**

The fiscal court and component units' deposits were insured and collateralized by bank securities.



<u>CONTENTS</u>	PAGE
INDEPENDENT AUDITOR’S REPORT .....	1
BRACKEN COUNTY OFFICIALS .....	3
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS .....	7
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS.....	10
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS .....	15
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS .....	18
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS .....	23
NOTES TO FINANCIAL STATEMENTS .....	25
BUDGETARY COMPARISON SCHEDULES .....	37
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION.....	39
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS .....	42
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS .....	46
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	51
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE	





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To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary Finance and Administration Cabinet

Honorable Gary L. Riggs, Bracken County Judge/Executive

Members of the Bracken County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bracken County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Bracken County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Bracken County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bracken County, Kentucky, as of June 30, 2010, and the respective changes in financial position, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The County has chosen not to present the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Gary L. Riggs, Bracken County Judge/Executive  
Members of the Bracken County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bracken County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated September 7, 2010 on our consideration of Bracken County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

*Tichenor & Associates, LLP*

Tichenor & Associates, LLP  
Certified Public Accountants

September 7, 2010

BRACKEN COUNTY OFFICIALS

For The Year Ended June 30, 2010

**Fiscal Court Members:**

Gary L. Riggs	County Judge/Executive
John H. Corlis	Magistrate
Matthew Clark Hennessey, Jr.	Magistrate
Neil Brumley	Magistrate
David Kelsch	Magistrate
Scotty Lippert, Jr.	Magistrate
Timothy Figgins	Magistrate
Dennis Jefferson	Magistrate
Carl Allen, Jr.	Magistrate

**Other Elected Officials:**

Michael Clark	County Attorney
James Cox	Jailer
Rae Jean Poe	County Clerk
Kathy Free	Circuit Court Clerk
Charles Rehtin	Sheriff
Tracey Florer	Property Valuation Administrator
John G. Parker	Coroner

**Appointed Personnel:**

Judith F. Brothers	County Treasurer
Tina Teegarden	Finance Officer
Stacey Florer	Road Supervisor
Tony Mains	911 Administrator

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**BRACKEN COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2010**



**BRACKEN COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2010**

	<b>Primary Government Governmental Activities</b>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 5,350,089
Total Current Assets	<u>5,350,089</u>
Noncurrent Assets:	
Capital Assets - Net of Accumulated Depreciation	
Construction In Progress	409,740
Land and Land Improvements	787,638
Buildings	1,346,481
Vehicles	189,754
Equipment	405,105
Infrastructure	1,696,316
Total Noncurrent Assets	<u>4,835,034</u>
Total Assets	<u>10,185,123</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Financing Obligations	<u>48,000</u>
Noncurrent Liabilities:	
Bonds Payable	3,000,000
Financing Obligations	<u>332,000</u>
Total Noncurrent Liabilities	<u>3,332,000</u>
Total Liabilities	<u>3,380,000</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	1,455,034
Restricted	14,546
Unrestricted	<u>5,335,543</u>
Total Net Assets	<u><u>\$ 6,805,123</u></u>

The accompanying notes are an integral part of the financial statements.

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**BRACKEN COUNTY**  
**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

**BRACKEN COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 1,015,327	\$ 64,434	\$ 128,118	\$ 222,772
Protection to Persons and Property	406,537	129,194	98,983	
General Health and Sanitation	380,618	1,000		
Social Services	1,807			
Recreation and Culture	19,443			
Roads	670,897	191,922	751,152	
Bus Services	23,135			
Interest On Long-term Debt	98,242		24,600	
Capital Projects	19,176			
Total Governmental Activities	2,635,182	386,550	1,002,853	222,772
Total Primary Government	\$ 2,635,182	\$ 386,550	\$ 1,002,853	\$ 222,772

**General Revenues:**

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Other Taxes

Excess Fees

Miscellaneous Revenues

Unrestricted Investment Earnings

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**BRACKEN COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2010**  
**(Continued)**

<u>Net (Expenses)</u> <u>Revenues and</u> <u>Changes in Net Assets</u> <u>Primary Government</u>	
<u>Governmental</u> <u>Activities</u>	
\$	(600,003)
	(178,360)
	(379,618)
	(1,807)
	(19,443)
	272,177
	(23,135)
	(73,642)
	<u>(19,176)</u>
	<u>(1,023,007)</u>
	<u>(1,023,007)</u>
	980,892
	47,846
	72,789
	570,767
	63,091
	113,576
	<u>16,289</u>
	<u>1,865,250</u>
	842,243
	<u>5,962,880</u>
\$	<u><u>6,805,123</u></u>

The accompanying notes are an integral part of the financial statements.

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**BRACKEN COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2010**



**BRACKEN COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2010**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Public Properties Corporation Fund</b>	<b>Non- Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 2,725,772	\$ 640,198	\$ 1,849,278	\$ 134,841	\$ 5,350,089
Total Assets	<u>2,725,772</u>	<u>640,198</u>	<u>1,849,278</u>	<u>134,841</u>	<u>5,350,089</u>
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances	5,482	2,315		6,749	14,546
Unreserved:					
General Fund	2,720,290				2,720,290
Special Revenue Funds		637,883	1,849,278	128,092	2,615,253
Total Fund Balances	<u>\$ 2,725,772</u>	<u>\$ 640,198</u>	<u>\$ 1,849,278</u>	<u>\$ 134,841</u>	<u>\$ 5,350,089</u>

**Reconciliation of the Balance Sheet - Governmental Funds - To The Statement of Net Assets:**

Total Fund Balances	\$ 5,350,089
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used In Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported In The Funds.	6,910,003
Accumulated Depreciation	(2,074,969)
Long-term Debt Is Not Due And Payable In The Current Period And, Therefore, Is Not	
Reported In The Funds.	
Financing Obligations	(380,000)
Bonded Debt	<u>(3,000,000)</u>
Net Assets Of Governmental Activities	<u>\$ 6,805,123</u>

The accompanying notes are an integral part of the financial statements.

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**BRACKEN COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

**BRACKEN COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Public Properties Corporation Fund</b>	<b>Non- Major Governmental Funds</b>
<b>REVENUES</b>				
Taxes	\$ 1,368,888	\$	\$	\$ 81,421
In Lieu Tax Payments	226			
Excess Fees	63,091			
Intergovernmental	386,199	929,253		453,588
Charges for Services	1,000			63,894
Miscellaneous	68,316	37,044		8,216
Interest	12,886	1,938	1,164	301
Total Revenues	<u>1,900,606</u>	<u>968,235</u>	<u>1,164</u>	<u>607,420</u>
<b>EXPENDITURES</b>				
General Government	417,351			17,056
Protection to Persons and Property	80,508			301,515
General Health and Sanitation	91,726			265,483
Social Services				
Recreation and Culture	16,097			
Roads		816,757		54,098
Bus Services	23,135			
Debt Service	57,848	7,769	78,625	
Capital Projects	7,382	6,367	1,073,261	
Administration	352,162	150,210		51,760
Total Expenditures	<u>1,046,209</u>	<u>981,103</u>	<u>1,151,886</u>	<u>689,912</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>854,397</u>	<u>(12,868)</u>	<u>(1,150,722)</u>	<u>(82,492)</u>
<b>Other Financing Sources (Uses)</b>				
Bond Issuance			3,000,000	
Transfers From Other Funds				63,800
Transfers To Other Funds	(63,800)			
Total Other Financing Sources (Uses)	<u>(63,800)</u>		<u>3,000,000</u>	<u>63,800</u>
Net Change in Fund Balances	790,597	(12,868)	1,849,278	(18,692)
Fund Balances - Beginning	1,935,175	653,066		153,533
Fund Balances - Ending	<u>\$ 2,725,772</u>	<u>\$ 640,198</u>	<u>\$ 1,849,278</u>	<u>\$ 134,841</u>

The accompanying notes are an integral part of the financial statements.

**BRACKEN COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS (Continued)**  
**For The Year Ended June 30, 2010**

<b>Total Governmental Funds</b>
\$ 1,450,309
226
63,091
1,769,040
64,894
113,576
16,289
<u>3,477,425</u>
434,407
382,023
357,209
16,097
870,855
23,135
144,242
1,087,010
554,132
<u>3,869,110</u>
<u>(391,685)</u>
3,000,000
63,800
<u>(63,800)</u>
<u>3,000,000</u>
2,608,315
2,741,774
<u>\$ 5,350,089</u>

The accompanying notes are an integral part of the financial statements.

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**BRACKEN COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**



**BRACKEN COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

Net Change In Fund Balances - Total Governmental Funds	\$ 2,608,315
Amounts Reported For Governmental Activities In The Statement Of Activities Are Different Because :	
Governmental Funds Report Capital Outlays As Expenditures. However, In The Statement Of Activities The Cost Of Those Assets Are Allocated Over Their Estimated Useful Lives And Reported As Depreciation Expense.	
Capital Outlay	1,453,995
Depreciation Expense	(266,067)
Financing Obligation Payments Are Expensed In The Governmental Funds As A Use Of Current Financial Resources. However, At The Government-Wide Level, These Transactions Have No Impact On Net Assets.	
Bonded Debt	(3,000,000)
Financing Obligations-Principal Payments	<u>46,000</u>
Change In Net Assets Of Governmental Activities	<u><u>\$ 842,243</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....	25
NOTE 2.	DEPOSITS .....	30
NOTE 3.	CAPITAL ASSETS.....	31
NOTE 4.	LONG-TERM DEBT .....	32
NOTE 5.	EMPLOYEE RETIREMENT SYSTEM .....	33
NOTE 6.	INSURANCE .....	34
NOTE 7.	PENDING LITIGATION .....	34



**BRACKEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Bracken County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The county has no discretely presented component units.

**Blended Component Unit**

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. These organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

**BRACKEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Bracken County Public Properties Corporation

The Bracken County Fiscal Court appoints the Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Public Properties Corporation.

**C. Bracken County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Bracken County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Bracken County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-wide and Fund Financial Statements**

The primary government reports the governmental activities using the economic resources measurement focus and the modified cash basis of accounting. Revenues are recognized when received and expenses are recognized when paid, except for the recognition of depreciation expense on the statement of activities.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities are supported by taxes and intergovernmental revenues.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

**BRACKEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale ninety days following April 15.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the financial statements.

The governmental funds are accounted for on the modified cash basis and focus on the flow of current financial resources. Revenues are recognized when received and expenditures are recognized when paid.

**Governmental Funds**

The government reports the following major governmental funds:

**General Fund** - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

**Road Fund** - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**Public Properties Corporation Fund** - This fund accounts for the financing and construction of major capital facilities. This fund is involved with the new justice center project.

The government also has the following non-major funds: Dispatch/911 Fund, Federal Grants Fund, Jail Fund, Local Government Economic Assistance Fund (LGEA), State Grants Fund, Senior Citizens Fund, and Special Fund.

**BRACKEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Federal Grants Fund, State Grants Fund, Dispatch/911 Fund, Senior Citizen Fund, and Special Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Funds:

The Bracken County Public Properties Corporation Fund also serves as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**F. Capital Assets**

Capital assets, which include land, land improvements, construction in progress, buildings, vehicles, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

**BRACKEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**F. Capital Assets (Continued)**

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings	\$ 25,000	10-75
Equipment	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50
Intangibles	\$ 2,500	2-40
Vehicles	\$ 2,500	6-10

**G. Long-term Obligations**

In the government-wide financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**BRACKEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Public Properties Corporation Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually. The Governor's Office for Local Development does not require this fund to be budgeted.

**J. Related Organizations, Joint Venture, and Jointly Governed Organizations**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, there are no related organizations of Bracken County Fiscal Court.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the Augusta-Brooksville-Bracken County Industrial Authority is a joint venture of the Bracken County Fiscal Court.

**Note 2. Deposits**

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a depository institution failure, the government's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2010, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**BRACKEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2010 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 124,117	\$ 663,521	\$	\$ 787,638
Construction In Progress	5,427	404,313		409,740
Total Capital Assets Not Being Depreciated	129,544	1,067,834		1,197,378
Capital Assets, Being Depreciated:				
Buildings	1,579,120			1,579,120
Vehicles	474,344			474,344
Equipment	1,185,155	88,108		1,273,263
Infrastructure	2,087,845	298,053		2,385,898
Total Capital Assets Being Depreciated	5,326,464	386,161		5,712,625
Less Accumulated Depreciation For:				
Buildings	(212,101)	(20,538)		(232,639)
Vehicles	(257,156)	(27,434)		(284,590)
Equipment	(808,631)	(59,527)		(868,158)
Infrastructure	(531,014)	(158,568)		(689,582)
Total Accumulated Depreciation	(1,808,902)	(266,067)		(2,074,969)
Total Capital Assets, Being Depreciated, Net	3,517,562	120,094		3,637,656
Governmental Activities Capital Assets, Net	\$ 3,647,106	\$ 1,187,928	\$ 0	\$ 4,835,034

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 26,788
Protection to Persons and Property	24,514
General Health and Sanitation	23,409
Social Services	1,807
Recreation and Culture	3,346
Roads, Including Depreciation of General Infrastructure Assets	186,203
Total Depreciation Expense - Governmental Activities	<u>\$ 266,067</u>

**BRACKEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 4. Long-term Debt**

**A. Capital Lease - Courthouse Addition and Wheel Loader**

Bracken County entered into a fifteen-year lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) to build an addition onto the courthouse and to purchase a wheel loader. The lease agreement calls for an annual principal payment due each January 20. Interest payments are to be made monthly. The remaining principal balance of this lease as of June 30, 2010 was \$380,000. Future principal and interest payments are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$ 48,000	\$ 16,577
2012	50,000	14,329
2013	52,000	11,987
2014	54,000	9,555
2015	56,000	7,030
2016-2017	120,000	6,032
Totals	<u>\$ 380,000</u>	<u>\$ 65,510</u>

**B. First Mortgage Revenue Bond Anticipation Note (Court Facilities Project), Series 2009**

On August 12, 2009, the Bracken County Public Properties Corporation (Corporation) authorized the issuance of up to \$20,350,000 in revenue bonds in order to finance the cost of constructing a justice center facility. The facilities to be financed with the proceeds of the notes will be leased to the Administrative Office of the Courts of the Commonwealth of Kentucky (AOC), pursuant to a memorandum of understanding. Under the memorandum, AOC has agreed to enter into a lease agreement which will have rentals sufficient to pay the principal of and interest on all bonds issued for the construction of the judicial center. Bracken County and the Corporation are under no obligation to make payments on the notes, except from the proceeds of the notes and bonds and from payments made by AOC. Bracken County has agreed to operate, maintain, insure and repair the judicial center so long as any of the notes and bonds remain outstanding, but solely from payments to be made by AOC.

On September 9, 2009, the Corporation issued revenue bond anticipation notes in the amount of \$3,000,000. The bonds were issued with an interest rate of 2.625% with a retirement date of September 1, 2011. The principal balance is due in full on September 1, 2011. Debt service requirements are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$	\$ 78,750
2012	3,000,000	39,375
Totals	<u>\$ 3,000,000</u>	<u>\$ 118,125</u>



**BRACKEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**C. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Financing Obligations	\$ 426,000	\$	\$ 46,000	\$ 380,000	\$ 48,000
Revenue Bond					
Anticipation Notes		3,000,000		3,000,000	
<u>Governmental Activities</u>					
Long-term Liabilities	<u>\$ 426,000</u>	<u>\$ 3,000,000</u>	<u>\$ 46,000</u>	<u>\$ 3,380,000</u>	<u>\$ 48,000</u>

**Note 5. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.16 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 32.97 percent.

The county's contribution for FY 2008 was \$152,622, FY 2009 was \$133,544, and FY 2010 was \$148,691.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

**BRACKEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 5. Employee Retirement System (Continued)**

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**Note 6. Insurance**

For the fiscal year ended June 30, 2010, Bracken County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 7. Pending Litigation**

Bracken County has been sued in Federal District Court from an incident which occurred on or about May 31, 2009. The complaint arises out of a shooting in Bracken County where the State Police and the Bracken County Sheriff's Department shot to death an individual. The range of potential loss (if any) as a result of an unfavorable result in this matter cannot be estimated with any accuracy. The County of Bracken has referred this case to its insurance carrier and they have assigned an attorney.

**BRACKEN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2010**



**BRACKEN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2010**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 1,237,000	\$ 1,237,000	\$ 1,368,888	\$ 131,888
In Lieu Tax Payments	100	100	226	126
Excess Fees			63,091	63,091
Intergovernmental Revenue	175,610	175,610	361,599	185,989
Charges for Services	1,400	1,400	1,000	(400)
Miscellaneous	9,400	9,400	68,316	58,916
Interest	3,500	3,500	12,886	9,386
Total Revenues	<u>1,427,010</u>	<u>1,427,010</u>	<u>1,876,006</u>	<u>448,996</u>
<b>EXPENDITURES</b>				
General Government	594,147	626,452	417,351	209,101
Protection to Persons and Property	86,618	92,417	80,508	11,909
General Health and Sanitation	117,937	119,433	91,726	27,707
Social Services	1,000	1,000		1,000
Recreation and Culture	21,200	21,200	16,097	5,103
Bus Services	27,000	27,000	23,135	3,865
Debt Service	41,502	41,502	33,248	8,254
Capital Projects	9,600	13,711	7,382	6,329
Administration	2,228,223	2,143,162	352,162	1,791,000
Total Expenditures	<u>3,127,227</u>	<u>3,085,877</u>	<u>1,021,609</u>	<u>2,064,268</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,700,217)</u>	<u>(1,658,867)</u>	<u>854,397</u>	<u>2,513,264</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	25,000	25,000		(25,000)
Transfers To Other Funds	<u>(150,317)</u>	<u>(150,317)</u>	<u>(63,800)</u>	<u>86,517</u>
Total Other Financing Sources (Uses)	<u>(125,317)</u>	<u>(125,317)</u>	<u>(63,800)</u>	<u>61,517</u>
Net Changes in Fund Balance	(1,825,534)	(1,784,184)	790,597	2,574,781
Fund Balance - Beginning	<u>1,825,534</u>	<u>1,825,534</u>	<u>1,935,175</u>	<u>109,641</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 41,350</u>	<u>\$ 2,725,772</u>	<u>\$ 2,684,422</u>

**BRACKEN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2010**  
**(Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 754,417	\$ 754,417	\$ 929,253	\$ 174,836
Miscellaneous	51,000	51,000	37,044	(13,956)
Interest	4,500	4,500	1,938	(2,562)
Total Revenues	809,917	809,917	968,235	158,318
<b>EXPENDITURES</b>				
Roads	1,048,252	1,074,083	816,757	257,326
Debt Service	7,769	7,769	7,769	
Capital Projects	6,900	6,900	6,367	533
Administration	412,560	386,729	150,210	236,519
Total Expenditures	1,475,481	1,475,481	981,103	494,378
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(665,564)	(665,564)	(12,868)	652,696
Net Changes in Fund Balance	(665,564)	(665,564)	(12,868)	652,696
Fund Balance - Beginning	665,564	665,564	653,066	(12,498)
Fund Balance - Ending	\$ 0	\$ 0	\$ 640,198	\$ 640,198

**BRACKEN COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2010**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**Reconciliation To The Statement of Revenues, Expenditures, and Changes  
In Fund Balances – Governmental Funds – Modified Cash Basis**

**General**

Total Revenues - Budgetary Basis	\$ 1,876,006
Principal and Interest Paid by State for Courthouse Addition	<u>24,600</u>
Total Revenues - Modified Cash Basis	<u><u>\$ 1,900,606</u></u>
 Total Expenditures-Budgetary Basis	 \$ 1,021,609
Principal and Interest Paid by State for Courthouse Addition	<u>24,600</u>
Total Expenditures-Modified Cash Basis	<u><u>\$ 1,046,209</u></u>

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**BRACKEN COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2010**

**BRACKEN COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2010**

	<b>Dispatch/ 911 Fund</b>	<b>Federal Grants Fund</b>	<b>Jail Fund</b>	<b>LGEA Fund</b>	<b>State Grants Fund</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 49,788	\$	\$ 627	\$	\$ 20,061
Total Assets	<u>49,788</u>	<u></u>	<u>627</u>	<u></u>	<u>20,061</u>
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances	17		6,732		
Unreserved:					
Special Revenue Funds	<u>49,771</u>	<u></u>	<u>(6,105)</u>	<u></u>	<u>20,061</u>
Total Fund Balances	<u>\$ 49,788</u>	<u>\$ 0</u>	<u>\$ 627</u>	<u>\$ 0</u>	<u>\$ 20,061</u>

The accompanying notes are an integral part of the financial statements.

**BRACKEN COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information (Continued)**  
**June 30, 2010**

<b>Senior Citizens Fund</b>	<b>Special Fund</b>	<b>Total Non-Major Governmental Funds</b>
<u>\$ 4,377</u>	<u>\$ 59,988</u>	<u>\$ 134,841</u>
<u>4,377</u>	<u>59,988</u>	<u>134,841</u>
		6,749
<u>4,377</u>	<u>59,988</u>	<u>128,092</u>
<u>\$ 4,377</u>	<u>\$ 59,988</u>	<u>\$ 134,841</u>

The accompanying notes are an integral part of the financial statements.

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**BRACKEN COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2010**

**BRACKEN COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2010**

	<b>Dispatch/ 911 Fund</b>	<b>Federal Grants Fund</b>	<b>Jail Fund</b>	<b>LGEA Fund</b>
<b>REVENUES</b>				
Taxes	\$ 81,421	\$	\$	\$
Intergovernmental	98,983	222,772	65,299	13,823
Charges for Services	25,800		38,094	
Miscellaneous			10	
Interest	35		23	5
Total Revenues	<u>206,239</u>	<u>222,772</u>	<u>103,426</u>	<u>13,828</u>
<b>EXPENDITURES</b>				
General Government				
Protection to Persons and Property	183,980		117,535	
General Health and Sanitation		222,772		
Roads				54,098
Administration	31,047		20,713	
Total Expenditures	<u>215,027</u>	<u>222,772</u>	<u>138,248</u>	<u>54,098</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(8,788)</u>		<u>(34,822)</u>	<u>(40,270)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	25,000		32,000	
Total Other Financing Sources (Uses)	<u>25,000</u>		<u>32,000</u>	
Net Change in Fund Balances	16,212		(2,822)	(40,270)
Fund Balances - Beginning	33,576		3,449	40,270
Fund Balances - Ending	<u>\$ 49,788</u>	<u>\$ 0</u>	<u>\$ 627</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

**BRACKEN COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2010**  
**(Continued)**

<b>State Grants Fund</b>	<b>Senior Citizens Fund</b>	<b>Special Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$		\$	\$ 81,421
52,711			453,588
			63,894
	8,206		8,216
	5	233	301
52,711	8,211	233	607,420
	17,056		17,056
			301,515
42,711			265,483
			54,098
			51,760
42,711	17,056		689,912
10,000	(8,845)	233	(82,492)
	6,800		63,800
	6,800		63,800
10,000	(2,045)	233	(18,692)
10,061	6,422	59,755	153,533
\$ 20,061	\$ 4,377	\$ 59,988	\$ 134,841

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



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The Honorable Gary L. Riggs, Bracken County Judge/Executive  
Members of the Bracken County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bracken County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 7, 2010. Bracken County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bracken County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bracken County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Bracken County's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Bracken County's financial statements as of and for the year ended June 30, 2010, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, others within the entity, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

*Tichenor & Associates, LLP*

Tichenor & Associates, LLP  
Certified Public Accountants

September 7, 2010

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**BRACKEN COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2010**



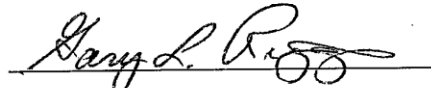
**CERTIFICATION OF COMPLIANCE**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**BRACKEN COUNTY FISCAL COURT**

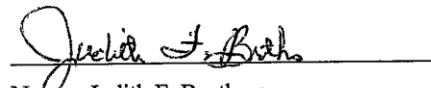
**Fiscal Year Ended June 30, 2010**

The Bracken County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended, as dictated by the applicable Kentucky Revised Statutes.



Name: Gary L. Riggs

County Judge/Executive



Name: Judith F. Brothers

County Treasurer

